

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
THE REPORT OF EXAMINATION
OF SOUTHERN PIONEER PROPERTY
AND CASUALTY INSURANCE COMPANY**

A.I.D. NO. 2019- 39

ADOPTION ORDER

Now on this day the matter of the Report of Examination ("Report") as of December 31, 2017, of Southern Pioneer Property and Casualty Insurance Company ("Company") of Jonesboro, Arkansas, NAIC No. 16047, is taken under consideration by Allen Kerr, Insurance Commissioner for the State of Arkansas ("Commissioner"), as presented by Associate Counsel, Amanda Capps Rose, and the Finance Division of the Arkansas Insurance Department ("Department"). From the facts, matters and other things before him, the Commissioner finds as follows:

FINDINGS OF FACT

1. The Company is an Arkansas-domiciled surety, property and casualty insurer.
2. Pursuant to Ark. Code Ann. §§ 23-61-201, *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records, and assets of the Company as of December 31, 2017.
3. Said examination was commenced by the Department on August 20, 2018, and completed on April 8, 2019.
4. The verified Report of Examination was filed with the Department on May 2, 2019. It was then mailed to the Company via certified mail on May 2, 2019. The Company received the Report on May 6, 2019, according to the tracking service available through the United States Postal Service.

5. In correspondence dated May 21, 2019, the Company submitted a statement via electronic mail acknowledging review of the Report and subsequently waived the remainder of the thirty (30) day review period.

6. During the examination period, the Company held funds in a Federated Institutional Prime Obligation Fund and Tennessee Housing Development Agency Residential PR bonds, both of which exceeded the applicable single-issuer investment limitation under the Arkansas Insurance Code.

7. The Company failed to renew its Intercompany Services and Cost Allocation Agreement with Southern Pioneer Insurance Agency, although the two entities continue to transact business.

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact, the Commissioner makes the following Conclusions of Law:

1. The Commissioner and the Department have jurisdiction over the parties and the subject matter contained herein.

2. This Adoption Order has been properly entered in accordance with the Arkansas Insurance Code and Department Rules.

3. The Company's investments in a Federated Institutional Prime Obligation Fund and Tennessee Housing Development Agency Residential PR bonds in excess of the single-issuer limit are violations of Ark. Code Ann. § 23-63-805. The Company has subsequently made changes to these investments that are in compliance with the Arkansas Insurance Code.

4. The Company's failure to renew its Intercompany Services and Cost Allocation Agreement with Southern Pioneer Insurance Agency is a violation of Ark.

Code Ann. § 23-63-515(a). The Agreement was subsequently filed with the Department and was non-disapproved on May 22, 2019.

THEREFORE, pursuant to the provisions of Ark. Code Ann. § 23-61-205 and other provisions of the Arkansas Insurance Code, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, is hereby adopted;
2. That the Department shall forward a copy of this Adoption Order and the adopted Examination Report, as filed, to the Company via certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Board of Directors to use in acknowledgement of receipt of the adopted Report of Examination and this Adoption Order;
3. That within twenty (20) days of receipt of this Adoption Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its directors, stating under oath or affirmation that each has received a copy of this Adoption Order and the adopted Examination Report;
4. That the adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Adoption Order;
5. That the Company shall file all material changes or amendments to its Intercompany Services and Cost Allocation Agreement as required by Ark. Code Ann. § 23-63-515(a); and
6. That the Company shall comply with the requirements of Ark. Code Ann. § 23-63-805 regarding investments.

IT IS SO ORDERED this 7th day of June, 2019.

A handwritten signature in black ink, appearing to read 'Allen Kerr', is written over a horizontal line.

**ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS**